
STATE GOVERNMENT – LOCAL GOVERNMENT FISCAL RESPONSIBILITIES

FINDING: In Louisiana there is no clear delineation of fiscal responsibilities between state and local government. State spending on local functions totals more than \$2.5 billion annually which consumes nearly 28% of the state's own source revenues. The largest portions of this spending are for funding local elementary and secondary education, funding portions of the monthly salaries of parish and municipal law enforcement and fire protection officers, parish and municipal judges, constables, and justices of the peace, and funding of revenue sharing, parish road funds, and mass transit. Such huge transfer funding by the state of traditionally local functions presents problems of accountability, engenders questions about the adequacy of the state and local government revenue bases, and creates barriers to efficient delivery of services at both the state and the local level.

OPTION 1: Before the state can evaluate an appropriate revenue base to meet its needs, it must first begin a process of 'Sorting Out' the fiscal responsibilities between the state and its local governments to determine: 1) what services should be provided by government; 2) which level of government should finance each of those services; and 3) which level of government should deliver those services.

This process should be undertaken either through an existing entity, such as the Louisiana Advisory Commission on Intergovernmental Relations, or through a special committee or task force created specifically for this purpose.

Description and Background: The state provides over \$2.5 billion in funding assistance to local governments each year, over 90% of which comes directly out of the state general fund. The vast majority of such funding, (over 88% of the total or \$2.2 billion) goes to fund kindergarten through grade 12 elementary and secondary education. This means that the state indirectly pays over half of the cost of the local elementary and secondary education in Louisiana through the Minimum Foundation Program, but has little control over how the local school systems spend their monies. Moreover, the determination of how many dollars are necessary to fund the MFP formula is largely out of the control of the Legislature since the Board of Elementary and Secondary Education (BESE) writes the funding formula.

The state pays a significant portion of the monthly salaries of parish and municipal law enforcement and fire protection officers employed by local governments (\$65 million a year). It pays a portion of the monthly salary of constables and justices of the peace and the state also pays a large portion of the salaries of parish and municipal judges. However, the funding control for most of these expenditures is out of the state's control. For example, control over supplemental pay largely rests with the local government; if they hire more eligible officers, the state is obliged to pay.

In addition to the salaries of various parish and municipal judges provided in statute, the state pays for juvenile protective care monitoring and juvenile court reporters in Orleans Parish Juvenile Court.

Given the issues of spending control and expenditure demand of the current state – local fiscal system, it is difficult to determine what needs to be done to the existing revenue base to adequately provide for the future. NCSL has suggested the process of ‘Sorting Out’. For states to proceed, they must first determine whether services being provided are the responsibility of government. Once this decision is made, the focus shifts to which level of government should finance the services and which level of government should deliver the services. NCSL also suggests five principles to guide the sorting out process:

- 1) Provide the clearest possible separation of responsibility between state and local governments.
- 2) Assign program responsibility to the lowest possible level of government unless there is an important reason to do otherwise.
- 3) Consider the fiscal effects of state mandates on local governments, and either assume financing responsibility, allow local discretion implementation, or repeal them.
- 4) Assume state responsibility for programs where uniformity or statewide benefits will result.
- 5) Provide state financial assistance to local governments that have the lowest capacity to raise their own revenue.

Estimated Fiscal Impact: Cannot be determined. Will depend on future realignment of funding responsibilities between state and local government and the dollars associated with specific programs which are realigned.

Action Required to Implement: Use an existing administrative avenue. The Louisiana Advisory Commission on Intergovernmental Relations was created by statute in 1987 and has representatives of both state and local government, but the organization has functioned only sporadically since it was created. This body could serve as forum for beginning the sorting out process.

Another approach would be to establish a special committee or task force through legislative resolution to bring the various state and local groups together to examine state/local fiscal responsibilities.